



**U. S. DEPARTMENT OF VETERANS AFFAIRS**  
**Regional Office, Fort Snelling**  
**1 Federal Drive**  
**St. Paul, MN 55111-4050**  
**[www.vba.va.gov/rostpaul.htm](http://www.vba.va.gov/rostpaul.htm)**

January 8, 2003

REGIONAL LOAN CENTER MEMORANDUM No. 03-02

TO: ALL LENDERS AND SERVICERS

SUBJ: THE VETERANS BENEFITS ACT OF 2002

**Purpose**

The purpose of this memorandum is to announce provisions of the Veterans Benefits Act of 2002 that affect the Loan Guaranty Program.

**Benefit Changes**

1. Hybrid Adjustable Rate Mortgages (HARM): The law authorizes VA to carry out a demonstration project to guarantee HARM for Fiscal Years 2004 and 2005. For purposes of this law, HARM is a mortgage that specifies an initial rate of interest that is fixed for a period of at least 3 years. After that period the rate can be adjusted annually up or down not more than 1 percentage point. The maximum increase in rate over the life of the loan will be 5 percentage points. **IMPORTANT!! Please note that the law does not authorize VA to guarantee any HARM loan before October 1, 2003 (FY 2004). We will be providing more detailed instructions in the coming months.**

2. Loan Assumption Fee: The funding fee for the assumption of existing loans is increased from 0.5 percent to 1 percent. The effective date of the increase was December 13, 2002. The increase will remain in effect through September 30, 2003.

3. Soldiers and Sailors Civil Relief Act: The law extends protection under this act to members of the National Guard who have been called to active service for a period of more than 30 consecutive days under section 502(f) of title 32, United States Code, for purposes of responding to a national emergency declared by the President and supported by federal funds.

2 - RLC memorandum 03-02

**If You Have Any Questions**

For additional information or questions e-mail the St. Paul Regional Loan Center at [RLC335@vba.va.gov](mailto:RLC335@vba.va.gov) or call (800) 827-0611 and select option 2 for Loan Production.

/s/D. F. MUNRO

D. F. MUNRO

Loan Guaranty Officer